

Message Text

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SUBJECT: CANADIAN-FRENCH AGREEMENT IN PRINCIPLE ON
URANIUM ENRICHMENT PLANT FOR QUEBEC

REF: A) PARIS 25219 B) PARIS A-521, OCT. 7, 1974

C) PARIS 09581

SUMMARY: DURING PRIME MINISTER TRUDEAU'S VISIT TO PARIS
, THE TWO GOVERNMENTS AGREED IN PRINCIPLE TO THE CON-
STRUCTION OF A URANIUM ENRICHMENT PLANT IN QUEBEC USING
FRENCH TECHNOLOGY. STILL TO BE SETTLED ARE THE QUES-
TIONS OF TECHNICAL FEASIBILITY AND FINANCIAL PARTICIPA-
TION. END SUMMARY

1. DURING PRIME MINISTER TRUDEAU'S VISIT TO PARIS, DE-
SCRIBED IN REF A, THE FRENCH AND CANADIAN GOVERNMENTS
AGREED IN PRINCIPLE TO APPROVE THE PROPOSED CONSTRUCTION
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OF A URANIUM ENRICHMENT PLANT IN QUEBEC USING FRENCH

GASEOUS DIFFUSION TECHNOLOGY (REF A, PARA 3). STILL TO BE IRONED OUT ON THE POLITICAL LEVEL IS THE RELATIONSHIP BETWEEN THE FRENCH AND QUEBEC GOVERNMENTS. THIS WILL BE DEALT WITH DURING UPCOMING VISIT OF QUEBEC PREMIER BOURASSA.

2. ACCORDING TO MFA NUCLEAR AFFAIRS DIRECTOR (ALLINE) AND CEA ENRICHMENT OFFICIAL (COATES), THE AGREEMENT IN PRINCIPLE DOES NOT MEAN THAT THE TWO GOVERNMENTS HAVE DECIDED TO BUILD THE ENRICHMENT PLANT. ANY SUCH DECISION MUST AWAIT THE RESULTS ON THE ONGOING TECHNICAL FEASIBILITY STUDY. IN ADDITION, FINANCIAL BACKING MUST BE SECURED (PRESUMABLY FROM EUROPEAN UTILITIES). THE AGREEMENT IN PRINCIPLE IS IMPORTANT, ACCORDING TO ALLINE, BECAUSE INTERGOVERNMENTAL AGREEMENTS WILL BE REQUIRED BEFORE THE PROJECT GETS UNDERWAY, AS IN THE CASE OF EURODIF. FOR COATES, THE AGREEMENT WAS NOT A "FORMAL" ACCORD, BUT A POLITICAL INDICATION THAT "THE DOOR WAS OPEN."

3. ALLINE SAW THE PROPOSED PROJECT AS A NATURAL OUTCOME OF THE DEMANDS OF EUROPEAN UTILITIES FOR SECURE LONG-RANGE SUPPLIES OF ENRICHED URANIUM AND OF THE CONTINUED IMPASSE IN THE U.S. ON DECIDING TO BUILD AN ADDITIONAL PLANT. COATES INDICATED THAT THERE WERE OTHER NON-FRENCH PARTIES INTERESTED IN THE QUEBEC PROJECT, WHO WERE ASKING THE CEA TO GO AHEAD. THE CEA, FOR ITS PART, SAW THE PROJECT AS AN OPPORTUNITY TO PROFIT FROM ITS GASEOUS DIFFUSION TECHNOLOGY.

4. COMMENT: MAIN FRENCH OBJECTIVES ARE TO: 1) SATISFY DOMESTIC NEEDS FOR SECURE SUPPLIES OF ENRICHED URANIUM AND 2) PROFIT FROM THEIR GASEOUS DIFFUSION TECHNOLOGY BEFORE RIVAL TECHNOLOGIES (LASER, CENTRIFUGE) ARE REALIZED ON A COMMERCIAL BASIS, AND 3) TO SEEK CLOSER BILATERAL RELATIONSHIP WITH CANADA. REGARDING THE FIRST OBJECTIVE, THE FRENCH GENERALLY FEEL THEY CAN AFFORD TO WAIT A YEAR OR TWO BEFORE COMMITTING THEMSELVES TO THE LARGE EXPENDITURES DEMANDED BY A NEW ENRICHMENT PLANT. THEY ARE HAVING ENOUGH TROUBLE LIMITED OFFICIAL USE

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RAISING CAPITAL AND DEVELOPING INDUSTRIAL CAPACITY FOR THEIR AMBITIOUS NUCLEAR POWER PROGRAM (REF B, PAGE 8). THIS WOULD NOT, HOWEVER, PRECLUDE THEM FROM SELLING FRENCH TECHNOLOGY AND EQUIPMENT FOR A PLANT IN QUEBEC OR AUSTRALIA (REF C, PARA 2) PROVIDED CAPITAL COULD BE RAISED EITHER FROM OTHER EUROPEANS OR THE JAPANESE. THE SITUATION WILL PROBABLY REMAIN FLUID UNTIL THE KEY QUESTION

IS RESOLVED OF WHO PAYS. IN THE MEANTIME, THE FRENCH
MAY ACT TO EDGE OUT COMPETITORS SUCH AS BRINCO.
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